IDSJ Working Paper 160

Recent Labour Market Experiences from China

Surjit Singh

October 2011

October 2011

Institute of Development Studies
8-B, Jhalana Institutional Area
Jaipur-302 004 (India)
Phone : 91-141-2705726 / 2706457 / 2705348
Fax : : 91-141-2705348
E-mail : idsj@dataone.in
visit us at : www.idsj.org

Printed at : Kumar & Company, Jaipur
Ph. : 2375909

Recent Labour Market Experiences from China

Surjit Singh

This paper looks at labour market trends, the role of private sector and self-employment enterprises in Chinese economy in the recent times. The paper reveals that China has observed significant improvement in gross domestic product per person employed since 1978 and employment as percentage of population has also gone up. The economy has grown at 10 percent during the reform era and Chinese labour market has observed wide-ranging changes. Structural change in employment pattern has occurred during the reform period. Tertiary sector presently is a significant sector in China. The role of private and self-employment enterprises is increasing in creating employment. Inequalities in Chinese economy have increased and pushed the efforts to improve poverty situation backward. China in coming years may not have now low productivity low wage advantage. The second largest economy in the Southeast Asia would require gigantic efforts to absorb rural surplus labour. The changing laws would encourage rural-urban migration and distort labour market. One major effort China plans is to locate about 40 percent of township enterprises in small towns.

Large numbers of Asians still live in poverty and this poverty is widespread across Asia. This is despite the fact that Asian economies have made significant strides in last few decades. How can Asia help its poor get out of poverty? There are many causes of poverty. The major reason is that the poor earn too little from the work that they do. Most Asians sustain themselves and their families by using labour. Most Chinese, work as self-employed workers, especially in rural areas. They work on family farms/ enterprises on kind or a wage. This means improvement in labour market opportunities can help enhance incomes, reduction in poverty and improve living standards. The challenge thus is not merely to create jobs for the unemployed and the new entrants to the labour force, but also to improve the productivity and earnings of the available jobs. China has done fairly well since the onset of reforms in 1978 especially in the rural areas. However, in the recent years China too is facing challenges of poverty, unemployment and raising productivity of workers. China's labour market is exceptional as it has huge labour force that is concentrated in agriculture. Above all the China is an economy in transition with enormous rural-urban disparity (ADB, 2005). The economic reforms since 1978 served China very well as China increasingly became market oriented- with Chinese characteristics. Along with the importance of SOEs (state owned enterprises) and TVEs (township and village enterprises), private sector also developed significantly in recent years. Private sector especially has now an added role in the labour market. Self-employed enterprises too have been emerging importantly. Self-employment in both rural and urban areas is increasing fast due to distress situation and also as a consequence of dislocations due to the development strategy. Of late trade is also having wide ranging ramifications in Chinese economy with regard to employment. This paper

in this context tries to look at relation of trade with employment, the role of private sector and self-employment enterprises in Chinese economy in the recent times. It tries to draw some lessons for the labour market.

1. A Backdrop: Economic Performance

China initiated modernisation process with a modest economic base[1]. In 1979, its GDP (gross domestic product) was $177 billion (at 2002 prices) and per capita income was $183. This GDP largely came from agriculture and stark poverty stared at it. The World Bank estimates that in the more than two decades since reforms started, average income per capita in China has quadrupled, while more than 270 million people have been lifted out of poverty (Chen and Wang, 2001). From 1978 to 2004, GDP growth in China averaged nearly 10 percent, the highest rate of any country in the world for the same period (Qin *et al.*, 2006; Yusuf, Nabeshima and Perkins, 2006). Deng Xiaoping vision put the economy on a different path in 1978 (Singh, 1995; 1998; 2007). By the end of 2004, China's GDP was $1.65 trillion with $1268 per capita income. It is now the second largest economy after Japan in South East Asia. China is perhaps one-sixth as large as the United States in current dollars, and that India is one-sixteenth as large (Winters and Yusuf, 2007). Any economic shock arising from Germany or Japan will have higher impact compared to one emanating from China and the least from India. Looking at growth of output and income, China and India have performed very strongly since 1995 in comparison to other large economies of the world (table 1). China accounted for 13 percent of the world growth in output over 1995-2004 when India merely accounted for 3 percent. USA accounted for 33 percent when its much higher starting share in 1995 offsets its slower growth rate.

Table 1: Gross Domestic Products (%)

Economy	Share of World GDP (2004 $ & Exchange rates)		Average Annual real growth rates		Average Contribution to world growth	
	2004	2020	1995-2004	2005-2020	1995-2004	2005-2020
China	4.7	7.9	9.1	6.6	12.8	15.8
India	1.7	2.4	6.1	5.5	3.2	4.1
USA	28.4	28.5	3.3	3.2	33.1	28.1
Japan	11.2	8.8	1.2	1.6	5.3	4.6
Germany	6.6	5.4	1.5	1.9	3.0	3.3
Brazil	1.5	1.5	2.4	3.6	1.5	1.7
World	100	100	3.0	3.2	100	100

Source: World Bank (2005), *World Bank Indicators*.

The 2020 projections put China second only to the USA in terms of contribution to world growth. India is projected to have a slower growth rate during 2005-20 compared to 1995-2004, but marginally higher contribution to world growth. Amongst the two Asian giants, China outscores. It may be noted here that these two countries are projected to account for 10.3 percent of world GDP in 2020; a significant increase from 6.4 percent contribution. However, emerging economies' growth rates are typically more volatile than industrial countries' rates and as these countries become bigger, volatility would affect others strongly (Winters and Yusuf, 2007).

2. Labour Market: Some Concerns

2.1 Labour Force Structure

Significant changes have occurred in China's labour force structure since 1978. One marked change in 2005 compared to 1978 is that the China's labour force is not young now (appendix 1). In 1978, 55.5 percent of the labour force was below 34 years of age while in 2005, this proportion stood at 39.6 percent. The labour force in the age group of 15-19 observed a dramatic decline from 13.82 percent in 1978 to just 1.58 percent in 2005. This decline has been continuous over the period. Similar fall is observed in case of labour in age group 19-24 years where the proportion declined from 15.28 percent in 1978 to 8.60 percent by 2005. Labour force in the age group of 25-29 years increased since 1978 till 1991, to decline thereafter. In most other age groups, the labour has observed increases. Labour in 55 years plus age group is 8.7 percent in 2005 compared to 8.9 percent in 1978. Some of these changes are driven by population policy that China enforced- single child norm. Education is another factor that has pulled down share of younger people from the labour force.

What is the employment situation in China? Data shows that in 1978, 401.52 million persons were employed of the 406.82 million economically active populations in China (98.7%) (Appendix 2). The economically actively population increased to 768.23 million by 2004; a 1.9 times increase. The percentage of employed persons in economically active population stood at 97.9 percent. The employed persons increased 1.87 times. The structure of employment has undergone significant change since 1978. For instance, primary sector employed 70.53 percent of all employed persons in China in 1978 and this proportion continuously fell to 46.90 percent in 2004. On the other hand, the share of industry in employment was 17.3 percent in 1978 which increased to 22.50 percent by 2004; a 5.2 percentage point increase. The tertiary sector has become the second most important employer in China with 30.6 percent persons employed in it compared to 12.18 percent in 1978. The importance of primary industry has declined remarkably as China observed significant growth rates in manufacturing sector. However, primary industry employed the largest number of persons in absolute terms. In 1978, it employed 283.18 million persons and touched the peak on 1990 when 390.98 million persons were employed. Since the number employed had fluctuated to touch 352.69 million persons in 2004. The number employed in secondary industry rose by 2.44 times between 1978 and 2004 when the increase in tertiary industry share in employment was to the extent of 4.71 times. The employment in secondary industry has more or less stagnated around 160 million since the mid-nineties. Tertiary industry is the second most important employer in terms of absolute numbers in 2004 and growth of services has been phenomenal since 1990- 9 percent (Qin, 2004)[2]. This appears to be the result of government strategy of promoting tertiary industries to alleviate the acute labour supply pressure at relatively low expenses of material and capital resources. Moreover, growing service industries would help strengthen the non-state-owned business sector, however, pricing in the services sector is going to pose a risk of cost disease to the whole economy (Qin, 2004).

The rural population in China increased from 803.2 million in 1978 to 942.54 million in 2004. The rural labour stood at 306.38 million ie., labour force participation rate of 38.14 percent in 1978 and this rate went up to 52.73 percent in 2004 when rural labour force was 496.95

million(appendix 3). In rural labour force is dominated by male in China. At the province level, in 2004, top provinces namely, Henan, Shangdong, Hunan, Guangdong and Sichuan accounted for 36.5 percent all rural labour in China (appendix 4). Also especially in rural China, the importance of farming, forestry, animal husbandry and fisheries has gone down as almost all rural labour was engaged in these activities in 1978, but by 2004, the share of these activities in rural labour declined to 61.6 percent (appendix 5). This decline is compensated by rising share of industry to 10.9 percent in 2004 from 2.9 percent in 1980. The share of construction activities in rural labour more than doubled during 1980 and 2004 while other non-farm agricultural trades improved their share in rural labour from 5.3 percent in 1980 to 12.3 percent in 2004. Thus, rural China has observed significant structural change during the reform era. It also seems that tertiary sector now account for one fifth of rural labour force. At the province level in 2004, the highest proportion of rural labour was in 85.9 percent in Xinjiang and the 26.3 percent in Shanghai in farming, forestry, animal husbandry and fisheries activities (appendix 6). Thus, there are inter- province variations in rural labour engaged in farming, forestry, animal husbandry and fisheries activities. This is reflected in the development level of provinces. The share of rural labour is industry is the highest in Shanghai (45.9 %) and the lowest share is in 1.9 percent in Tibet. This shows wide disparity in rural industrialisation across provinces in China. The inter-province variations are not that significant in case of other rural activities as regards the rural labour. Of course, other non-farm agricultural trades have marked differences across provinces.

Economic reforms thus from all perspectives have served Chinese economy very well. It has been among the fastest growing economy in the world over the last two decades. China's economic expansion has been led by industry. For instance, the production of manufactured goods increased annually at rate of 12 percent during 1990- 2002. Moreover, the Chinese economy has also become increasingly more integrated into the global economy. China is more integrated in the world trading system compared to other large economies like Brazil, India, or the United States. Exports and imports are about 25 percent of GDP in the case of these three countries. However, in case of China trade represents 70 percent of its GDP.

There is no doubt that the rapid expansion of Chinese economy has meant improved labour market outcomes for many of its workers, especially those in urban centres and the coastal provinces. However, the economy faces severe challenges in the labour market. First, there exists considerable underemployment in the rural sector, which employed about 490 million workers in 2002 having low productivity[3]. The state enterprises that employed almost 40 million workers in 2001 took care of surplus labour of the economy (Brooks and Tao, 2003). Though employment in state enterprises has contracted considerably since the mid-1990s, falling by almost 37 million between 1995 and 2001, the labour productivity continues to be much lower than in the non-state sector. Researches suggest that an improvement of labour productivity in state enterprises to non- state levels would render 10 to 11 million workers in these enterprises redundant (ADB, 2005). State enterprises laid off large number of workers in the 1990s. However, jobs did increase annually by 3 percent since the early 1990s in urban areas. This expansion of jobs took place in the formal private sector that includes foreign-funded enterprises. This sector created 17.5 million jobs between 1995 and 2001. On the other side, labour force surveys report that a far larger number of jobs, around 75 million, were created in the informal sector

(Brooks and Tao, 2003). As many jobs in the informal sector are low productivity and low-paying ones, underemployment is a problem in urban China.

As regards the employment prospects, urban areas fared better than the rural areas. This is largely reflected in the large rural-urban income disparity. This did not lead to large- scale *permanent* rural to urban migration because of a range of imperfections in the labour market. China's traditional emphasis on heavy industry based industrialisation caused segmentation between areas. An excessive concentration of capital in urban areas took place on the one hand, and on the other concentration of labour in rural areas. This also created in enormous distortions in factor markets. While China initiated reforms in its product markets more than two decades ago, culminating to World Trade Organisation (WTO) accession, the same vigour was lacking in reforms addressing the factor market.

The labour code governing the operation of private enterprises in China does not present obstacles for firms to adjust their employment levels and/or their wages (ADB, 2005). Instead, rigidities in the labour market are external to the labour code. There are two main restrictions in the labour market- one is the system of official registration used for controlling rural to urban migration. The authorities require households to have a *hukou* (household registration system) card to legally reside in any given place. Like any developing country even in China there are wide differences between the provisioning of services in rural and in urban areas. The *hukau* card ensures access to the amenities that cities provide, such as housing and education which otherwise are limited and expensive. This restraints legal migration from rural to urban areas and inter city migration. Highly skilled workers and investors are permitted to buy a permit called a "blue stamp" *hukou* card that enables them to reside in the place of their choice (Chan and Zhang, 1999). This section even if does not buy one they have adequate incomes to pay for the higher fees for services they obtain in the social sector. However, majority of rural workers cannot afford blue stamp *hukau* card. The restrictions on rural-urban migration, however, are gradually being relaxed, though still being important.

Migration in China is thus a *transitory* phenomenon. However, many workers endure to take advantage of the very significant wage differential. Zhao (1999) for Sichuan province finds rural labourers earn much higher incomes as migrants than they do as workers in local non-farm and farm sectors and in 1995 there was an annual wage gap between rural and urban work of 2388 yuan for unskilled workers of comparable background and ability. There is considerable evidence that temporary migrants prefer to stay at home in rural areas and engage in non-farm work if it is available. A less than a third of the difference is accounted for by explicit costs of migration such as transportation and urban housing. Most of the wage gap is due to the social costs associated with migration[4]. These include the disutility of being away from the family, poor quality of housing, limited social services for migrants, danger of being robbed during the trip, and uncertainty associated with not having a *hukou* card.

This has led to an enormous number of *floating workers*- an estimate puts them at 90 million which is 19 percent of the total rural labour force (excluding commuters) (Hertel and Zhai, 2004). These workers live and work in one place but do not have a *hukou* card and thus have

very limited access to the urban amenities. The other restriction in the labour market restriction in China relates to off-farm labour mobility is the absence of a fully functioning land market that would permit existing land owners to lease out their land to others and migrate to the city to earn higher wages. The result is that the existing land tenure system has raised the opportunity cost of leaving the farm. The fear is that if they do not farm the land they may lose the rights to it. This acts as a strong incentive to continue some level of agricultural activity at a very low profitability level.

3. Self-Employment

One of the most significant employment trends in rural China is the rise of off-farm self-employment in recent years. There has been a veritable explosion of traders, merchant, and small- and medium-scale, individual- and household-run businesses (Entwisle *et al.,* 1995). During 1988-95, up to 30 million self-employed workers emerged in rural China, and the self-employment sector was the fastest growing off-farm sector in rural China (Rozelle, Guo and Minggao, 1999). During this period, almost 40 percent of all new off-farm jobs belonged to the newly self-employed. Self-employment grew fastest in the rich coastal provinces but rural residents began working for themselves in other provinces as well. Among many reasons for this increasing tend in self-employment is argued to the increase in earnings from self-employed work that in turn increased the China's rural incomes in the late 1980a and 1990s (Parish, Zhe and Li, 1995). One view in the development literature is that the emergence of a strong self-employment sector in an economy plays an important role in the overall development process besides being a source of income and employment for rural residents. de Sato in his *Other Path* described the emergence of self--employed workers as the foundation of devel-opment. Transition economists argue that the rise of self-employment is a sign of the growing importance of markets relative to the state. It is felt that self-employment opens up opportunities for workers that improve incomes, increase capital assets and the overall standard of living of the rural community as new enter-prises grow into medium and large size businesses. But this appears to a minority view. Not all scholars agree that the rise of self-employment is a sign of a healthy labour market (Singh and Singh, 1989). Most downplay its importance in the process of economic development. This latter view of the sector is based on the premise that the emergence of self-employ-ment often parallels the rise of informal forms of employment in developing economies. In some countries growth in inefficient forms of self-employment has caused conflict with poverty alleviation programmes (World Bank, 2000). Across the world- from India to Brazil and Kenya to South Africa, informal sector self-employment empirically shown to be unproductive and lacks social security measures. It also pointed out that argue that self-employment may play a negative role in the economy by distorting labour market incentives, decreasing official output, reducing government tax revenues and constraining the growth of the private sector. Compared to workers with wage earning jobs, those that are self-employed in rural China earn more on an hourly basis but also assume higher risks (Zhang, Rozelle and Boucher, 2005).

However, education of the participants in informal self-employment could change the perception as is articulated in some circles (see, Mohapatra, Rozelle and Goodhue, 2006). It is possible that superior education is more valuable in starting and running self-employed businesses relative to wage work in state and non-state enterprises[5]. The dominant view of informal sector does argue

that there is upward labour mobility from a low productivity activities to high productivity activities. Self--employment in rural China is pre-dominantly a way to step-up the employment ladder. The probability of switching into the low productiv-ity sector is low in contrast the probability of switching into the high productivity sector is much higher. By far the largest share of those that switch out of wage employment is moving towards the high productivity sector. There are still some households that do move into the low productivity sector (Mohapatra, Rozelle and Goodhue, 2006). Self-employment can also/ and is a refuge even in a rapidly developing country as China. It is possible that a lar-ger fraction of the labour force might be shifting to the lower productive sector in an economic distress situation. In China there are individuals who are moving from wage employment to the low productivity sector, the main direction of mobility is from wage employment into the high productivity self-employment sector.

There of course gender aspects to self-employment. It has been shown that women are less likely than men to move out of farming into either self-employment or wage employment. Women who have managed to break into the wage sector are also more likely than men to move back into farming. This is very true of China and many studies of rural China reveal an increasing concentration of women in farm work. There is limited number of women in self-employment in rural China. In the developed world, however, women have been the fastest growing segment (in relation to men) among the self-employed[6]. Age of an individual is another factor that determines mobility at the lower end of labour market. Younger workers are more likely to move out of farming into self-employment and wage employment; older people in post-reform economies are less mobile due to the accumulation of sector specific capital.

What exactly is the situation as regards the self-employment in China? In 2004, China had 23.50 million self-employed enterprises (appendix 7), which provided employment to 45.87 million persons. This means on an average, a self-employed enterprise employed 1.95 persons. The maximum number of self-employed enterprises is located in Guangdong (8.34%) while the least number are in Tibet (0.245). The top five provinces with self-employed enterprises are Jiangsu, Zhejiang, Shangdong, Guangdong and Sichuan (35.72% of all enterprises) and have 29.02 percent all self-employment. Thus, one observes wide variations in self-employment across provinces. The self-employment in urban areas is slight higher than rural areas; 54.96 percent self-employed are in urban areas. This proportion is the highest in Jilin (85.89%) and the lowest percentage in Hebei (34.14%). Therefore, there is uniform pattern in self-employment across provinces. The reasons for this are amply pointed out in the above discussion. However, in 2004, 20.7 million self-employed individuals are there in rural China itself (appendix 8) and this number increased from 14.91 million in 1990; a 39 percent increase over the years. It appears the self-employment in China is gong to increase with WTO deepening and other changes taking place in the economy like property rights etc.

4. Private Enterprises

From a slow start in the 1980s, the pace of privatisation moved very fast during the 1990s. In China, household responsibility system facilitated the growth of private enterprises. Starting with dismantling of rural collectives and the creation of four special economic zones in Guangdong province initiated the whole process of privatisation[7]. In 2004, there were 36.51

million private enterprises in China employing 50.17 million workers (appendix 9). There are three provinces, Shanghai, Jiangsu and Guangdong accounting for 33 percent of all private enterprises in China. But Jiangsu and Guangdong together employ one fifth of all private enterprises persons. Per enterprise employment varies between 25.2 persons in Hunan and 9.7 persons in Hubei.

Also about 18.91 percent of persons employed in private enterprises are employers themselves. This proportions varies from a low of 8.9 percent in Jilin to a high of 33.31 percent in Shaanxi. This means that Jilin has created more wage employment in private enterprises. Further, 59.7 percent employees in private enterprises are in urban areas while the other 40.3 percent in rural enterprises. Thus greater private enterprise employment is in urban areas. There are of course inter-province variations; variations are from 28.2 percent in Hebei to 91.93 percent in Jilin. It may also be mentioned here that in 1990, there were 11.3 million private enterprise employed persons in rural areas (appendix 8). This employment went up to 20.24 million in 2004; 18 times increase over these years. As regards the share of private rural enterprises in employment is concerned, it improved from 0.24 percent in 1990 to 4.15 percent in 2004.

5. Influence of Trade

One of the biggest uncertainties for the labour market concerns the impact of opening the Chinese economy as a consequence of WTO accession on rural-urban inequality and income distribution. Labour regulations identified with inefficient functioning of the labour market, such as minimum wage laws and restrictions on hiring and firing are found to place few serious constraints on the- operation of firms. This may either be because the regulations are not particularly binding on closer scrutiny of the labour code, or because compliance with the regulations is weak. Put differently, the factors underlying weak labour market outcomes are to be found elsewhere, and not in cumbersome labour regulations. Also where labour regulations are constraining the efficient and fair functioning of the labour market, there will typically be only a few elements of the labour code that are a problem. Reform should focus on these. Even where elements of the labour code need reform, these elements are by no means the only factors in weak labour market outcomes. Thus improving labour market outcomes will require reforms and interventions in many other areas. Studies show that the factors behind weak labour market outcomes are to be found outside the realm of labour market policies.

Hertel and Zhai (2004) simulate the impact of two key labour market reforms viz., the *hukou* household registration system and the lack of off-farm mobility on rural-urban inequality and income distribution. It explores how these factor market reforms interact with product market reforms being made as part of China's WTO accession. If *hukou* system is relaxed, it is argued that the labour market distortion caused by this system amounts tax on rural wages of nearly 81 percent. The two labour market reforms leads to an increase in migration from the rural to the urban sector. The study shows that 10.1 million additional workers leave agriculture if they are permitted to lease out land as opposed to simply leaving it behind. Further, these workers migrate to the off-farm rural labour market, which in turn induces an additional 7.9 million temporary migrants to the urban sector in order to equalise rural and urban wages. Most of these workers (5.0 million) are semiskilled. The release of these workers from agriculture would

depress unskilled and semiskilled wages in the rural non-farming economy by 8.9 percent and 3.2 percent respectively. If this happens, skilled wages in the rural non-farming economy would rise by 1.1 percent. In case of unskilled workers urban wages would decline by 8.4 percent and for the semiskilled workers by 2.7 percent. However, the urban ages for the skilled group would increase by 1.1 percent. If we reduce the transaction costs associated with temporary migration due to the elimination of the *hukou* system, rural-urban migration would expand by 26.8 million workers and 67 percent are semiskilled workers. This whole process increases the supply of rural labour to the urban economy leading to increase in rural wages and consequently depressing urban wages. Moreover, the reform of the *hukou* system also draws additional 3.1 million workers labour out of agriculture. The relaxation of the *hukou* system improves income distribution from 2.59 to 2.42, measured in terms of the urban-rural income ratio. The combined effect is much more; it increases GDP by 2.1 percent. The urban unskilled wages decline by 17.3 percent compared to 7.1 percent fall in urban semiskilled. When the impact of WTO accession is considered, the skilled wages rise more than semiskilled wages, which in turn rise more than unskilled wages. The decline in agricultural profitability and the consequent expansion of urban activity not only leads to additional out-migration for agriculture, but also increased temporary migration of 1.2 million workers in the absence of labour market reforms[8]. When labour market reforms are affected, the migration response is to the tune of 1.3 million workers due to the higher degree of labour mobility out of agriculture. The study finds that the effect of the WTO accession is similar to a second-best result, which appears moderated when labour market reforms precede WTO accession. In the context of WTO accession, GDP increases without labour market reforms by 0.6 percent, and with labour market reforms by 0.5 percent. This is because the productivity differential across sectors is smaller with the labour market reforms. The reduction in trade barriers gives a substantial boost to trade in China with both exports and imports rising by 15 percent.

5.1 Village and Township Enterprises

Village and township run enterprises in China are latching on to WTO to seek faster development. After 40 years of evolution, China's village and township businesses have become a key force driving the country's market economy. They are adept at adapting to market changes. More than 20.8 million such enterprises employed 128 million rural residents in 2001, generating a combined export value of 940 billion yuan. With China's entry to WTO, township enterprises are expected to encounter unprecedented challenges in terms of fierce competition and a more rigid market environment. Rural firms may fare well given the fact that they have flexible operational mechanisms and many of them are engaged in intensive sectors. Most of China's township enterprises have grown in the market economy system and have withstood its tests. The rules of the WTO are based on the market economy, so the rules with regards to rural businesses match those of the WTO. The non-discrimination provisions of the WTO will help rural firms unleash their advantages in sectors including farm product processing, textile and household electrical appliances. Their export volume is expected to expand. For one thing, they will find it easier to obtain the power to engage in export trade. Less than 10000 township enterprises were given this privilege at the end of 2000 (Lui Zengsheng, Director Ministry of TVEs). Accession to the WTO will enable rural firms

to compete with other types of businesses in the country on an equal footing. Township enterprises will be able to expand the scale of using foreign funds through their advantages in resources, operational mechanisms and labour force. The development of township enterprises has been bottlenecked by a lack of funds, partly because it is difficult for them to obtain bank loans, as compared with state-owned enterprises (Singh, 1996). On the other hand, they can also tap the overseas market by launching more joint ventures outside China. By end of 2000, China's village and township-run companies had invested 1.5 billion yuan to run 1886 businesses abroad (China Daily, January 21, 2002).

While China's economy has benefited from the country's economic reforms in the last decades and a certain measure of development and social progress has occurred, the benefits of China's WTO membership can certainly be debated. China's accession to the WTO has had negative employment consequences. It has been profoundly involved in stalling the country's poverty eradication. It has left the majority of its people- its peasants- worse off. The incidence of extreme poverty in rural China declined from 29.2 percent in 1990 to 13.8 percent in 1996, but then stopped declining. In urban China, incidence of extreme poverty declined from 2.5 percent in 1990 to 0.6 percent in 1996 but then it too stopped declining. As regards the employment a similar picture appears: employment conditions showed significant improvement in both rural and urban areas from 1990 to 1996 while in the subsequent period from 1996 to 2002, rural employment conditions continued to improve but urban employment conditions worsened substantially. This highlights the flaws in the model of trade liberalisation advocated and facilitated by the WTO. It leaves no space for social and developmental concerns and does nothing to alleviate the externalities it creates. There is no doubt that China achieved a measure of success in exports possible an impact of WTO membership, the negative aspects of WTO accession on employment are a reality. This is coming through import competition and the resulting in closure of inefficient domestic firms, especially those in the state sector. However, this impact will not be evenly spread across industries. It will hit hardest the areas of agriculture, automobiles and machinery. Estimates by World Bank suggest that employment in the agricultural sector will be reduced by 9.6 million (3.6% of the current total), automobiles by 5 million (14.5% of the total), and machinery by 5.8 million (2.5% of the total) by 2008. Though effects differ across industries, the overall employment situation following WTO accession is very challenging. China's labour force is expected to grow by about 80 million by 2010, from approximately 742 million in 2000 to more or less 822 million in 2010. Considering these new entrants to the labour market and the continuing employment losses in agriculture and in state-owned enterprises, China will have to create 10 to 20 or 30 million new jobs each year. This is much higher than China's current job-creation capacity. Thus, in the coming few years, high technology and advanced manufacturing sectors are not expected to be able to add more than one tenth of that. The main source of job creation will therefore have to continue to be labour-intensive industries, such as textiles and services. Though WTO membership brings advantages, the negative employment impact of the accession stands to be greater than its positive effect, especially in the short run. Those benefiting straight away are primarily qualified white collar employees and private capitalists, the people who have already gained most over the last ten years of reforms, while those who are losing are many

blue-collar workers, farmers and unskilled office workers, those whose income has remained more or less stagnant for the last ten years[9].

5.2 Inequalities and Poverty

Just as WTO membership does not appear to have had a positive influence on employment in China, it does not appear to have changed the trend of rising inequality or help reduce poverty[10]. The recent Chinese history shows no positive correlation between poverty eradication, the opening up of markets and participation in international trade. China experienced a dramatic decline in poverty in the first few years of the 1980s, with the rural poverty rate falling from 76 percent in 1980 to 23 percent in 1985 (also see, Lui, 2006). The late 1980s and early 1990s were more difficult periods for China's poor, with poverty actually rising in some years. Progress was restored around the middle of the 1990s, where rural poverty dropped to 11.5 percent (in 1998). The late 1990s, however, saw a slow down in poverty elimination again, and in 2001 the rural poverty rate stood at 12.5 percent. The early 1980s saw high growth in agricultural output and rapid rural poverty reduction in the wake of the de-collectivisation and the privatisation of land rights under the household responsibility system[11]. Agricultural land had previously been farmed by organised brigades, in which all members shared the output equally. These reforms were without doubt important in stimulating rural economic growth at the early stages of China's transition. Overall, there are strong reasons to be sceptical of any positive correlation between trade liberalisation and poverty eradication. The bulk of the trade reforms did not occur in the early 1980s, when poverty was falling most rapidly, but later, notably with the extension of the special economic zone principle to the entire country in 1986, and from 1995 and up to China's accession to the WTO. Average tariff rates fell only slightly in the 1980s and non-tariff barriers actually increased. And some of the trade policies of this early period were unlikely to have been good for either equity or efficiency. Arguably the bulk of China's trade reform has been after the times of most rapid poverty reduction, and indeed in times of relatively stagnant poverty eradication.

As China had began to adapt to the expected change well in advance to its official WTO accession in 2001, another way of looking at the question of trade and poverty eradication is by dividing the time around accession to the WTO into two periods- the lead up (in which tariffs started to fall in anticipation of accession) and the period from 2001 onwards. From 1995 to 2001 an overall gain of about 1.5 percent in mean income took place in China. In the next period, 2001-2007, the development in mean income is so far neutral and it is expected to continue to be so. From 2001 to 2007, poverty is projected to increase slightly as a result of the price changes most probably taking place after the remaining tariff changes.

The above suggests that trade openness in China has had a negligible effect on total poverty- in fact halting poverty eradication rather than enhancing it. Moreover, WTO membership is expected to negatively influence inequality: about three-quarters of rural households are predicted to lose real income in the period 2001-07. This scenario is true for only one in ten urban households. This loss for rural households, which still make up two thirds of the Chinese population, is due to a combination of falling rural wages and increases in the prices of the main

consumption goods of this group. These developments in the rural areas, mainly because of liberalisation in the agricultural sector, increase the incentives for rural workers to leave the farmlands and look for work in the cities. Thus, as predicted, 28 million agricultural workers would leave agriculture sector to look for manufacturing work[12]. This shift would put downward pressure on unskilled wages in urban areas, one that is forecasted to reduce by up to 5 percent.

In fact, rural poverty is still a major problem in China, one that might be exacerbated in the near future[13] and one that is intrinsically linked to the country's WTO membership. In 2004, China's State Statistics Bureau acknowledged that the number of rural people living in extreme poverty actually increased from 28.2 million in 2002 to 29 million in 2003, despite rapid GDP growth. And, even more significantly, from 2000 to 2002, 42 percent of rural households experienced decreased income in absolute terms. Most analysts see this rise in poverty as an effect of trade liberalisation in the form of increased agricultural imports, and expect Chinese small farmers to face even greater hardship as they struggle to compete against the highly subsidised global agribusiness that is now entering China[14]. In sum, trade liberalisation has been no panacea. Therefore, if the Chinese strategy for further growth, employment creation and poverty eradication is based only on securing a larger share of global trade, it may not the desired / success. Unemployment will continue to rise, poverty eradication will slow down and inequality will rise significantly. Moreover, the Chinese experience- which by many is seen as a success story of the virtues of international trade liberalisation- pays testimony to the critique that free trade alone, does not ensure jobs, development and poverty eradication.

5.3 Leap Forward or Backward ?

Within the last few decades China has emerged as the world's manufacturing power- house and as one of the world's leading exporter. It is considered as the winner *per se* in and of international trade. But winning in this game has not been a joyful experience for its huge population that is left exploited and without a decent share of the country's recent prosperity. China is still *sweat-shopping* its way to success, basing its competitiveness on unnaturally low wages. China might have as many newly unemployed people as the rest of the world together. It is experiencing a surge in inequality (as discussed above) and finds half of its people entrenched in poverty. China's main comparative advantage is its cheap labour. Low pay, excessive hours, poor working conditions and minimal other costs have been its road to success. It is a road that China is mastering, foreign enterprises appear to appreciate, and the Chinese authorities appear to continue with. But it is a road based on eliminating and minimising obstacles and hindrances rather than constructively building competence and opportunities. It is also based on downsizing the public sector, exploiting the environment, abandoning welfare, pressuring the workforce, creating flexibility at the price of security, constantly reducing prices and lowering labour costs. It adds only a minimum of value at each stage of production, in China mainly relying on the low wages paid to local workers.

Productivity in the country is still very low. In fact, in the booming manufacturing industry, measured by GDP per person employed in the sector, China is up to 30 times less productive than countries like the US and Japan. And Germany and Finland are 20 times more productive

than China. Even in comparison with countries that the country is defeating in the export markets, China's productivity per employee is low: Brazil is 6.71 times as productive, Malaysia 4.58 times and Thailand 2.87 times (IMD, 2000). The main reason for this low productivity is the lack of technologies in China's manufacturing industry as pointed out earlier. But missing educational and skill-enhancing investment in the labour force is also a contributing factor. International experience shows that the short term gains that *sweatshop* conditions might give to producers are more than lost in comparison with the long term productivity gains that having a healthy, motivated and increasingly competent staff provide.

In spite of its low productivity, China has seen an explosion in private companies and corporations since the inception of its economic transformation. Chinese has set some of these companies up while others by foreign investors. But only a fraction of them have delivered decent work enabling a decent life to their employees. The majority of them exploit and abuse their workers on an unimaginable scale. Thus, the people who produce the products that are flooding most of the world have 60-70 hour working weeks, live in dormitories with 8-16 people in each room, earn less than the minimum wages which go as low as US$ 44, and the only prospect of injury at work is unemployment. A recent study showed that only 33.4 percent of private enterprises provided their staff with medical insurance, only 8.7 percent offered pension plans and just 16.6 percent had unemployment insurance. The insured staff members were mostly those in senior management positions or high-level technical staff. Most of the rank and file generally did not receive any of these benefits, the survey showed. In sum, only 14.5 percent of the workers interviewed were covered by medical insurance, while only 22.7 percent and 6 percent of the workers had pension and unemployment insurance (China Labour Bulletin, 2005).

Working in the many old and new factories in China poses a serious threat to health, well being and safety. Statistics from the Chinese Centre for Disease Control and Prevention show that 83 percent of township enterprises have work environments with varying degrees of occupational hazards. Harmful levels of dust and toxic substances affect nearly 34 percent of the workers in these enterprises. As a result, about 15 percent of workers in township enterprises develop or are suspected of developing various occupational illnesses. About 37 percent of the foreign-invested factories were shown to have hazardous conditions with 34.7 percent of workers employed in these plants in danger of developing occupational illnesses. Once again, it is the workers who work the most, are paid the least and have the least insurance that are most vulnerable at work. Thus, there is a clear correlation between being economically exploited and being at risk of losing a limb. And contrary to widespread conjecture, no evidence suggests that work injuries are less frequent in the factories that are foreign owned or produce for exports. Also the so limited regulatory efforts to avoid accidents give little hope for better times as such regulation reportedly is easily avoidable. This implies that China's workers should be able to avoid accidents just by demanding that their employers follow the law. The law in itself is not that bad, however, the implementation of it surely is. Hence, it does not appear that the right to *stoppages* over health and safety issues is very often respected[15]. Rather, the numerous examples of employees being forced to continue working in unsafe conditions show that workers in practice have little confidence in using their rights to *work-stoppages* under the Labour Law, the Trade Union Law and the Occupational Safety and Health Law. In sum, there is a lack of consistent and

regular monitoring of standards throughout China due to insufficient allocation of financial and personnel resources. Both collusion at the local level and widespread corruption are exacerbating the problem. Many localities turn a blind eye to problems or are part of the management or ownership of the enterprise in question.

5.4 Jobs Hard to Find

In spite of China's impressive growth and its success as an exporter, most Chinese have to look hard to see the signs of progress in their personal lives. Indeed, many of them would end up looking in vain. Around 250 million Chinese people, 16.6 percent of the population still survive on less than US$ 1 a day and close to 700 million, 47 percent of the population, live on less than US$ 2 a day. Inequality has been rising sharply and China is now among the most unequal countries. There may be as many newly unemployed former industrial workers in the country as in the rest of the world put together. And most workers struggle to get by and risk losing their lives and limbs every day. China's economic rise and emergence as a labour intensive, leading manufacturer of cheap products for the whole world has resulted in a minimal number of new jobs. Thus, according to estimates from the World Bank, in the 1980s, when China's economic growth was at 9.3 percent a year, net employment growth was around 3 percent. Similarly in the 1990s, when economic growth was about 10.4 percent, net employment growth was as low as 1.1 percent per year. In sum, between 1996 and 2001, the number of urban workers fell from 149 million to 108 million, a fall of 41 million or 28 percent. Besides, the new jobs created are of lower quality than the ones that were shed, since they are mainly of the informal and self-employed kind. As a consequence, this group climbed by 13.3 million, a 57 percent increase, in the urban areas from 1996 to 2001 (Zeng, 2005).

As China's population has increased significantly and large numbers of people have entered the labour market over the last two decades or so, during which employment creation has been weak; the country finds itself confronted with a giant problem of unemployment. Over time, more and more sacked workers become permanently unemployed who have limited scope of re-employment due to increasing oversupply of labour.

6. The Unemployment Scene

Official Chinese statistics are do not present a true situation on unemployment. China keeps most of its central statistics secret- not least the ones on employment and other associated issues such as protests and strikes. Employment along with other labour related areas such as protests, strikes and structural reform is the subject of two main regulations issued jointly by the State Secrets Protection Bureau. The State Secrets Bureau and the Ministry of Ministry of Labour and Social Security (MOLSS) issued the first regulation in 2000, while the All China Federation of Trade Unions (ACFTU) and the State Secrets Bureau in 1996 issued the second regulation. There are three main areas of state secrets viz., top secret (juemi), highly secret (jimi) and, secret (mimi). Finally there is internal secret (neibu), which, although it is not strictly a state secret, constitutes internal material that should not be disclosed without approval of the relevant agency. The two regulations dealing with labour related-state secrets include highly secret, secret and internal classification. In this secrecy regime, in 2005 the International Labour Organisation released a significant study of the recent trends and future challenges of

employment in China (Ghose, 2005). The study analysed employment creation from 1990 to 2002, and identified two quite different trends during this period. Throughout the period of 1990 to 2002, aggregate employment in the Chinese economy grew at an average annual rate of 1 percent. This growth was fully accounted for by China's cities. Thus, urban employment growth was at 3.5 percent annually, while rural employment showed zero growth. In spite of the cities' industrialisation in the period, the urban employment growth covers only irregular employment- that is, migrant workers and urban laid-off workers, who hold casual wage-employment in construction or services (for example), or are self-employed in activities such as street vending, repair services etc. Thus overall employment conditions in urban areas actually deteriorated during this period. In contrast, employment conditions in the rural areas have improved since regular employment grew while irregular employment declined. However, from 1996 to 2002 employment growth was due entirely to a dramatic growth of irregular employment in the urban areas (table 2). Formal employment in urban areas showed a steep decline and the growth of informal employment was not sufficient to prevent a rapid decline in regular employment. Such a decline is a negative sign in terms of labour market sustainability and societal well-being: growth of regular employment is a true indicator of growth of labour demand while growth of irregular employment is a symptom of growing excess supply of labour.

Table 2: Employment Growth 1990-2002 (percent pa)

Type of employment	Rural	Urban	Total
Formal	3.3	-3.0	-0.6
Regular	1.1	-0.4	0.8
Irregular	-2.3	18.5	3.2
Total	0.1	3.5	1.0

Source: Ghose (2005).

As we know the mass layoffs in state owned enterprises began in 1995 and more than 50 million workers' lost jobs by 2000. Thus, the unfavourable employment trends in urban China during 1996-2002 are mainly attributable to the elimination of workers in the state sector. In sum, some of the urban job-losers did find new jobs in the emerging informal sector, some became unemployed and some withdrew from the labour force, with the latter part being so big that the labour force participation rate of urban residents fell from 72.9 percent in 1996 to 66.5 percent in 2002. The loss of jobs in China went hand in hand with gains in productivity. From 1996 to 2002, when manufacturing employment declined at a rate of more than 3 percent annually, the growth of labour productivity was nearly 12 percent (table 3). This suggests that the poor employment effect of growth in this period is explained by both the process of shedding of labour in the SOEs and rapid technological change. Thus, employment conditions did worsened in this period, though economic miracle much talked about in China.

Like any other developing country, self-employment is a significant mode of employment in China this study reports. Despite China's recent industrialisation and strong economic results, the relative importance of self-employment has remained stable. On the other hand, formal wage-employment has declined in importance and informal wage- employment has risen in importance (table 4). Again, a negative sign for the people trying to live decent lives. Most

remarkably though, the change in the structure of employment was healthier in the rural economy than in the urban economy. In the latter, in contrast, self-employment, informal wage-employment and irregular employment have all grown in importance while the relative importance of formal wage- employment has declined.

6.1 Rural Surplus Labour

De-collectivization of agriculture turned rural surplus labour force into potential wage labourers. Under collective farming, the production team was the basic unit of accounting. Peasants got work-points for their work on the collective farm and would be paid partly in kind (grain, cotton etc.) and partly in cash for their accumulated work points at the end of a harvest season. Individual peasants got their work assignments each day and were not free to be engaged in non-agricultural activities on their own. A craftsman had to have permission from team leaders to work his trade. He had to remit his earnings to his team for redistribution and got work points in return. The household responsibility system broke down the collective *big rice-pot*. Freed from collective farms, peasants become independent commodity producers. They can choose what to do and keep for them what they earn from agricultural and non-agricultural activities. They are free to become industrial wage labourers.

China has an acute shortage of farmland and a huge surplus of peasants. The size of China's rural labour force (without urban registration) was about 431 million in 1991 and 444 million in 1993, which accounted for over 70 percent of the total labour force. Nationally, the average land-labour ratio is about 3*mu* (one fifth of a hectare) per peasant. On the basis of the current rate of agricultural productivity in China it is estimated that no more than 150 million are needed for agricultural employment. Therefore, roughly two thirds of the officially- classified peasants are surplus labourers and require non-agricultural work. China's rural enterprises employed 52 million peasant workers in 1984, 96 million in 1991, and 112.8 million or about 25 percent of the rural labour force by 1993. 331 million people were classified as agricultural labourers in 1993 but over half of them were actually unemployed. On the basis of the current rate of expansion of rural enterprises, the projected growth of labour force size, and given the amount of arable land as in 2000 there will be approximately 150 million surplus labourers in China.

Table 3: Output and Employment 1990-2002

	Average annual rate of growth in percent		
	1990-96	1996-2002	1990-2002
Output			
GDP	11.3	7.5	9.3
Agriculture	4.1	2.7	3.6
Manufacturing	14.6	8.7	11.2
Other industries Services	20.0	8.3	14.0
Employment			
Total	1.6	0.1	0.8
Agriculture	-0.9	-0.2	-0.4
Manufacturing	2.1	-3.1	-1.1
Other industries	3.5	0.4	1.5

Source: Ghose (2005).

Table 4: Structure of Employment by Status

	1990		1996		2002	
Type of Employment	No.	%	No.	%	No.	%
Total						
Self-employment	56.1	64.0	56.3	61.9	54.5	63.1
Regular Wage Employment	31.5	36.0	34.7	38.1	31.9	36.9
Formal Sector	31.2	35.6	33.0	36.2	27.3	31.6
Informal Sector	0.3	0.4	1.7	1.9	4.6	5.3
Irregular Employment	12.4		9.0		13.6	
Rural						
Self-employment	73.7	85.1	75.3	81.5	76.9	77.6
Regular Wage Employment	12.9	14.9	17.1	18.5	22.2	22.4
Formal Sector	12.6	14.5	16.0	17.3	19.3	19.5
Informal Sector	0.3	0.4	1.1	1.2	2.9	2.9
Irregular Employment	13.4		7.6		0.9	
Urban						
Self-employment	3.7	4.1	8.9	10.1	9.6	15.7
Regular Wage Employment						
Formal Sector						
Informal Sector	86.8					
Irregular Employment	9.5		12.2		39.0	

Source: Ghose (2005).

Labour supply may affect the development of rural industries through two mechanisms: availability of cheap labour and unemployment pressure (Peng, 1995). Although there is each year a large army of floating labourers roaming the country in search of jobs, the household registration system still restricts formal migration and adds friction to the geographic flow of labour. Therefore, local abundance of cheap labour itself may be an advantage for local development of rural industries. More importantly, surplus labour exerts unemployment pressure on local community. Community governments play an active role in rural industrialization. They are concerned with the social goal of increasing employment as well as the economic goal of enriching their collective coffers. Even though in the few developed regions (Zhejiang, Southern Jiangsu, and Guangdong), employment goal comes secondary to profits in the priority list by local cadres, it is the foremost motivation for the industrialisation drive for cadres in less developed regions.

7. Social Insurance System

As per the household registration (hukou) system, Chinese citizens must carry a household register card, called hukou, issued in the locality of residence. There are two main categories viz., Agricultural (rural) hukou, giving a right to a small piece of land and a duty to cultivate it and Non-agricultural (urban) hukou, giving a right to urban public services in the locality concerned. Migrants can apply for temporary registration where they live. But permanent hukou changes are accorded only under specific conditions that can be difficult to fulfil, especially for low-skilled and poor persons. In practice, over 20 percent of most big cities' inhabitants have rural hukou, and so do not enjoy full rights to public services. For example, their children's education often takes place in special schools that are less attractive than other schools in urban areas.

The reforms initiated were in the form of regional pilot experiments that began in the 1990s and encompassed several provinces since 2001, principally the eastern coastal area but also Sichuan and Anhui. In these provinces, rural citizens can obtain hukou in a city if they have permanent work and residence there. Some localities are particularly liberal, while others, including most big cities, are partly exempted. From October 2001, all towns and cities with up to about 100000 inhabitants give urban hukou to residents with fixed jobs and homes (State Council Circular No.6). In January 2003, the State Council's Notice on the management of and services for rural people coming to work in cities gave many new instructions to public officials viz., (1) Abolish administrative controls (notably by labour bureaus) of enterprises hiring rural workers. Remove restrictions concerning the job categories in which rural workers can be hired. Simplify procedures. Abolish procedures and fees that have been imposed only on rural workers. (2) Enterprises must sign labour contracts with rural workers and give them all rights stipulated by the Labour Law. On dismissal, employers should pay them lump-sum compensation. Labour bureaus should reinforce their inspection of rural workers' labour contracts. (3) Rural workers should have work injury insurance. If conditions permit, local governments can set up health care insurance for them. Training of rural workers should be organised. Rural workers' children should be guaranteed education at no extra fees, and poor families should be exempted from part of the fees (Reutersward, 2005). In June 2003, the State Council issued the notice Administrative measures on assistance and administration of poor urban vagrants and beggars. This replaced a previous regulation from 1982 about arresting and evicting the same groups, which had been considered to justify frequent identity checks by police. According to the new regulation, beggars and other poor rural citizens in cities should no longer be arrested and evicted, but advised to visit help centres. These centres, to be set up by city authorities other than the police, should provide food, accommodation and assistance, including tickets home or to find jobs.

The public pension system for urban workers is three tiered. Two tiers are mandatory for employees in all enterprises and the third is voluntary for the self-employed. There is a provision through transitional rules for those who contributed before 1997. First tier- A pay- as- you- go defined-benefit programme. As regards the funding, employer contributions vary around a national standard of 20 percent, of which 17 percentage points for the first tier. Pooling mostly at prefecture (city) level, sometimes by province or by county. The benefits accrue after at least 15 years of work and it is 20 percent of the local average wage. The pension age is 60 (men) and 50 (most women). However, no first-tier benefits accrue if the contribution is for fewer than 10 years. Second tier- A defined- contribution programme with individual saving accounts. In this case employee contributes 7 percent of the wage and it has been raised to 8 percent. In addition, 3 percentage points of the employer contribution go to the individual accounts. The government administers it. The government can either invest the money, mostly in bank accounts and bonds, or use it on a pay-as-you-go basis. In the latter case, which is most common, the government pays a certain rate of interest to the notional accounts. As regards the benefits per month, 1/ 120 of the fund as accumulated on retirement. Thus, the programme assumes an average life expectancy of 10 years on retirement, but pensions are paid until death. Workers who stop contributing after less than ten years in a locality (pooling unit) can withdraw the individual

accounts. But they receive no first-tier pensions. Third tier- a voluntary pension saving which is mostly enterprise pension for employees.

In case of rural workers, entirely voluntary saving, possibly with some support from communities and benefits according to the accumulation on individual accounts are the social securities.

7.1 Social Insurance for Rural Migrants

In this regard two experiments are worth noting. Chengdu, Sichuan introduced an optional low-cost insurance package for migrants in March 2003, covering second- tier pension insurance, work injury insurance and basic medical insurance (hospitalisation). Flexible contributions calculated on a base wage, defined as the previous year's average wage in the city times one of the following multiples: 60 percent, 70 percent, 80 percent, 90 percent, 100 percent, 120 percent, 150 percent. The employer chooses a multiple for each worker, with effects on benefits as well as on contributions. The contribution rate, applicable to the chosen base wage is 14.5 percent for the employer and 5.5 percent for the employee. For the self-employed, it is 20 percent. At the end of 2003, this scheme covered 84000 workers, or 10 percent of the rural migrants in Chengdu. For urban workers in Chengdu, the standard contribution rates for pension, work injury and medical insurance are, respectively, 20 percent, 0.6 to 2 percent and 7.5 percent for employers and 8 percent, 0 percent and 2 percent for workers. In other words, rural migrants and their employers contribute at about half of the rates that apply to urban workers. Chengdu also gives employers in the urban private sector a 3 percentage-point rebate on their pension contributions, down to 17 percent. This affects the city's revenues to the pay-as-you-go first tier, not the individual accounts. Such workers get the full insurance package despite the rebate. Xiamen, Fujian offers reduced contributions to rural migrants and their employers in the standard social insurance. Contributions are then calculated on the basis of the city's minimum wage, and employers are offered an 8-percentage points rebate on the pension contribution rate, down to 6 percent compared with Xiamen's standard rate of 14 percent. The employee contribution rate (for second-tier pensions) is the same as for urban workers: 8 percent. The rebate only affects the city's revenues in the first-tier pay-as-you-go pension scheme.

8. Conclusions

China has observed significant improvement in gross domestic product per persons employed since 1973 i.e., from 2041 US$ (1990 prices) to 6181 US$ in 1998 and employment as percentage of population went up from 41.1 percent to 50.4 percent in 1998. The economy has grown at 10 percent during the reform era. China's labour market has observed wide-ranging changes. Structural change in employment pattern has occurred during the reform period. Tertiary sector is now significant sector in China. The role of private and self-employment enterprises is increasing in creating employment. However, WTO accession has had adverse impact on employment creation. Inequalities have increased and pushed the efforts to improve poverty situation backward. China may not have now low productivity low wage advantage. The second largest economy in the South East Asia would require gigantic efforts to absorb rural surplus labour. The changing laws would encourage rural-urban migration and distort labour market. Social insurance system also requires modifications especially in rural areas. China plans to locate about 40 percent of township enterprises in small towns.

Notes

1. 36% of global GDP accrued in China in the early 19th century. After 1820 China rapidly lost ground because of various domestic reasons (Maddison, 1998).
2. The output share of the services sector in nominal terms rises significantly from about one fifth in 1980 to one third in 2004, but the output share in real terms remains almost stagnant. It is also noted that real unit labour cost in the services sector has reached about twice that of manufacturing sector in developed provinces, whereas it has exceeded twice and even reached three times in some inland and poor provinces (Qin, 2004).
3. Low agricultural labour productivity is well known in China (see, Yang and Zhou, 1999).
4. Various studies ascribe rural-urban wage differentials to hukau system.
5. Data on China show that off-farm participation rates have grown steadily between 1981 and 2004. In fact, it appears that the trend of off-farm sector growth is almost linear if not accelerating.
6. In the United States, self-employment rate among women increased from 4.1 percent in 1975 to 6.7 percent in 1990 (Devine, 1994).
7. For detailed processes of privatisation in China, see Yusuf, Nabeshima and Perkins (2006).
8. Also see, Anderson, Huang and Ianchovichina (2003) for impact of WTO accession on farmers' incomes and on rural poverty and Chen S.H and Martin Ravallion (2004) for welfare impact.
9. Zhao (1999a) does show that the modest growth in rural non-farm activities limits the ability of households to obtain off-farm work.
10. Income inequality had remained fairly mild and stable under an egalitarian regime prior to economic reforms that started in 1978 (Qinet al., 2006).
11. The household responsibility system initially resulted in rural income growth surpassing urban income growth as farms achieved greater productivity, but this trend was soon reversed as agricultural productivity hit the ceiling and rural income fell further behind urban income (Qin et al., 2006). Also see appendix 10 for rural income that shows large regional inequality. At one end is Shanghai (7066.33 yuan per capita income) and at the other end is Guizhou (1721.55 yuan per capita income) in 2004. This amounts to 1:4.1 differences. In 1990, this difference had stood at 1:4.43.
12. National People's Congress (NPC) on March 16, 2007 approved a new corporate tax law that abolished preferential rates for foreign companies. The property bill that comes into effect on October 1, 2007 stipulates that law protects the property of the state, the collective and the individual, and no units or individuals may infringe up on it. This bill in a sense gives importance to private sector. The contribution of private sector to GDP is 65 % and about 70% of tax revenue accrues from private sector. This would also give a push to urban middle class. Urban home ownership rate is more than 80% now (Hindu, 2007, Saturday March 17, p.15).
13. During 2001 and 2005, 24000 km of new highways were built as per the Chinese Transport Planning and Research Institute (Hindu 2007). Believed that this would help in poverty reduction. It could play a role in reducing discontent in rural China. In this process, China's National Reform and Development Commission is planning to invest 18 billion yuan on 23000 kms of rural roads.
14. For instance, in Guangxi, this link between trade and poverty is very clear. The province once had a thriving sugarcane economy but when China became a member of the WTO, cheap, highly subsidised sugarcane flooded its market and millions of Chinese sugarcane farmers were pushed into poverty (most farmers in this region owned less than one hectare of land). Thus, before China entered the WTO, the price for raw sugarcane was around 250 yuan per ton. After China entered the global agriculture market, sugarcane prices plummeted to 190 yuan per ton between 2002 and 2003, and then further to 170 yuan per ton between 2003 and 2004.
15. Overall, preliminary figures on safety in the workplace in 2004 reveal that there were 9864 industrial accidents in privately owned mines and factories in which 11278 workers were killed. These figures represented 67 percent and 68 percent of all accidents and fatalities nation wide that is a significant increase over 2003 figures. Statistics show that China reported 3341 coal mine accidents in 2005, which killed a total of 5938 people.

References

ADB (2001), *Asian Development Outlook 2001,* Manila

ADB (2003), *Private Sector Assessment in the People's Republic of China,* Manila.

ADB (2005), *Key Indicators 2005: Special Chapter- Labor Markets in Asia- Promoting Full, Productive, and Decent Employment,* Manila.

Aziz, Jahangir, Steven Dunaway and Eswar Prasad (2006), *China and India: Learning from Each Other- Reforms and Policies for Sustained Growth,* IMF.

Banister, Judith and Jeffrey R. Taylor (1990), "China: Surplus Labour and Migration" *Asia-Pacific Journal,* Vol.4, No.4.

Banister, Judith (2005), *Manufacturing Employment and Compensation in China* (http:www.bls.gov/opub/mlr/2005/07).

Brooks, Ray and Ran Tao (2003), *China's Labour Market Performance and Challenges,* IMF Working Paper (WP/03/210)- www/imf.org/external/ft/wp/2003.

Chan, K.W and L. Zhang (1999), "The Hukou System and Rural-Urban Migration in China: Processes and Change", *China Quarterly,* Vol. 160, pp. 818-855.

Chen, S and Y. Wang (2001), *China's Growth and Poverty Reduction: Recent Trends between 1990-1999,* World Bank Policy Research Working Paper No.2651, Washington, D.C.

China Labour Bulletin (2005), *China News Services,* February 3.

Devine, Theresa J (1994), "Changes in Wage-and-Salary Returns to Skill and the Recent Rise in Self-Employment", *American Economic Review*, Vol.84, No.2, pp.108-113.

Entwisle, B *et al.,* (1995), "Gender and Family Businesses in Rural China" *American Sociological Review*, Vol. 60, No.1, pp 36-57.

Gale, Fred and Hongguo Dai (2002), "Small Town Development In China: A 21st Century Challenge" *Rural America,* Vol.17, Issue 1, Spring.

Ghose, Ajit K (2005), *Employment in China: Recent Trends and Future Challenges,* Employment Strategy Papers, ILO.

Hertel, Thomas and Fan Zhai (2004), *Labor Market Distortions, Rural-Urban Inequality and the Opening of People's Republic of China's Economy,* ERD Working paper No.59, ADB, Manila, November (www.adb.org/documents/ERD/Working_papers/WP059.pdf) used March 9, 2007.

IMD (2000), *The World Competitiveness Yearbook 2000,* Lousanne, Switzerland.

Jefferson, Gary H and Inderjit Singh (1999), *Enterprise Reform in China: Ownership, Transition, and Performance,* The World Bank and OUP.

Lui, Hui (2006), "Changing Regional Rural Inequality in China 1980-2002" *Area,* Vol.38, No.4 pp.377-389.

Maddison, Angus (1998), *Chinese Economic Performance in the Long Run,* Organisation for Economic Co-operation and Development, Paris. Also see Maddison, Angus (2001), *The World Economy: A Millennial Perspective,* OECD.

Mohapatra, Sandeep, Scott Rozelle and Rachael Goodhue (2006), "The Rise of Self-employment in Rural China: Development or Distress" *World Development,* Vol.35, No. 1, pp.163-181.

Parish, W.L., L. Zhe and F.Li (1995), "Non-farm Work and Marketization of the Chinese Countryside" *China Quarterly,* Vol. 143, pp. 697-730.

Peng, Yusheng (1995), "China's Rural Enterprises: Effects of Agriculture, Surplus Labor, and Human Capital", Institute of Social Science Research, University of California (http:// respositories.cdlib.org/issr/volume6/7).

Qin, Duo (2004), *Is Rising Services Sector in the People's Republic of China Leading to Cost Disease,* ERD Working Paper Series No.50 ADB, Manila, April (www.adb.org/documents/ERD/Working_papers/WP050.pdf) used March 9, 2007.

Qin, Duo *et al.* (2006), *Income Disparity and Economic Growth: Evidence from People's Republic of China,* ERD Working Paper Series No.84 ADB, Manila, October (www.adb.org/documents/ERD/Working_papers/WP084.pdf) used March 9, 2007.

Ravaillion, Martin (2004), *Looking Beyond Averages in the Trade and Poverty Debate.*

Reutersward, Anders (2005), *Labour Protection in China: Challenges Facing Labour Offices and Social Insurance,* OECD Social, Employment and Migration Working paper 30 (www.oecd.org/dataoecd).

Rozelle, S, L. Guo and S. Minggao (1999), "Leaving China's Farms: Survey Results of New Paths and Remaining Hurdles to Rural Migration" *The China Quarterly,* Vol. 158, pp.367-393.

Singh, Surjit (1995), "Trends in Chinese Economy", *China Report* October- December.

Singh, Surjit (1996), "Rural Industries in Contemporary China", *China Report,* Vol.32, No.3, July-September.

Singh, Surjit (1998), "Economic Reforms and State Enterprises in China" *China Report* April-June.

Singh, Surjit (2007), "Financial Sector in China: Issues and Challenges" in Sudhakar Reddy *ed. Economic Reforms in India and China: Emerging Issues and Challenges,* Sage Publications, New Delhi.

Singh, Surjit and Arvinder Singh (1989), "The Urban Informal Sector: Some Issues" *IASSI Quarterly* December.

Yang, D.T and H. Zhou (1999), "Ruarl Urban Disparity and Sectoral Labor Allocation in China", *Journal of Development Studies*, Vo. 35, pp.105-133.

Yusuf, Shahid, Kaoru Nabeshima and Dwight H. Perkins (2006), *Under New Ownership: Privatizing China's State-owned Enterprises,* The World Bank and Stanford University Press.

Wang, Huijiong (2001), *Sustainable Industrial Overview of China: Current and Future Perspective,* Development Research Centre, The State Council, PRC, July.

Winters, L. Alan and Shahid Yusuf *ed.* (2007), *Dancing with Giants: China, India and the Global Economy,* The World Bank and Institute of Policy Studies.

World Bank (2000), *Making Transition Work for Everyone: Poverty and Inequality in Europe and Central Asia,* Washington D.C.

Zeng, Douglas Zhihua (2005), *China's Employment Challenges and Strategies after the WTO Accession,* World Bank Policy Research Working Paper 3522, February.

Zhao, Yaohui (1999), "Labor Migration and Earnings Differences: The Case of Rural China", *Economic Development and Cultural Change,* Vol. 47, No.4, pp. 767-782.

Appendix 1: Distribution of Labour Force by Age

	Labour Force by Age										
Year	15-19	20-24	25-29	30-34	35-39	40-44	45-49	50-54	55-59	60-64	65+
1978	13.82	15.28	16.19	10.19	10.32	9.22	8.63	7.46	5.05	2.86	0.99
1979	13.32	14.83	16.67	10.59	10.28	9.15	8.46	7.66	5.25	2.79	1.00
1980	12.26	14.71	17.32	11.09	10.27	9.26	8.33	7.75	5.33	2.75	0.95
1981	11.50	14.58	17.46	12.26	9.85	9.28	8.09	7.67	5.47	2.85	0.99
1982	10.68	14.46	17.42	14.01	9.20	9.33	7.98	8.92	5.56	2.92	0.98
1983	9.85	14.35	17.42	15.02	9.43	9.23	7.83	7.16	5.66	3.00	1.05
1984	8.96	14.20	17.54	15.57	9.88	9.18	7.85	6.96	5.75	3.04	1.07
1985	8.27	13.82	17.53	16.02	10.78	8.86	7.89	6.73	5.75	3.14	1.20
1986	7.80	13.63	17.41	16.22	10.75	8.43	7.97	6.48	5.63	3.10	1.33
1987	7.17	13.39	17.37	16.28	13.04	8.29	7.94	6.35	5.55	3.26	1.37
1988	6.37	12.83	17.57	16.35	13.82	8.50	7.99	6.38	5.51	3.38	1.31
1989	5.86	12.47	17.53	16.35	14.29	8.94	7.89	6.38	5.34	3.49	1.44
1990	5.13	12.06	17.55	16.57	14.86	9.59	7.76	6.42	5.12	3.49	1.42
1991	4.73	11.73	17.29	16.41	15.12	10.85	7.31	6.55	4.96	3.56	1.51
1992	4.30	11.40	16.93	16.47	15.31	11.84	7.27	6.57	4.89	3.50	1.51
1993	4.02	11.09	16.41	16.55	15.40	12.65	7.43	6.55	4.87	3.44	1.60
1994	4.20	10.78	15.97	16.43	15.41	13.29	7.77	6.48	4.79	3.25	1.62
1995	4.10	10.29	15.70	16.25	15.49	13.71	8.51	6.19	4.83	3.20	1.69
1996	3.92	9.97	15.47	16.17	15.55	14.08	9.53	5.84	4.84	3.04	1.60
1997	3.70	9.89	15.15	15.88	15.60	14.13	10.46	5.75	4.82	3.02	1.59
1998	3.27	9.92	15.00	15.64	15.72	14.22	11.04	6.02	4.70	2.90	1.58
1999	3.13	10.19	14.71	15.34	15.61	14.29	11.46	6.43	4.49	2.85	1.49
2000	2.86	10.25	14.53	15.14	15.54	14.41	11.90	6.86	4.28	2.76	1.48
2001	2.50	10.18	14.36	15.00	15.57	14.44	12.32	7.45	4.03	2.70	1.45
2002	2.24	9.95	14.57	14.81	15.24	14.53	12.26	8.23	3.96	2.69	1.55
2003	1.91	9.45	14.71	14.58	14.98	14.67	12.50	8.88	4.04	2.71	1.59
2004	1.71	9.12	15.02	14.24	14.75	14.66	12.72	9.33	4.29	2.65	1.52
2005	1.58	8.60	15.38	14.00	14.54	14.57	12.90	9.74	4.68	2.49	1.52

Source: Statistical Yearbook of China, 2006.

Appendix 2: Number of Persons Employed by Industry (10000 persons)

Year	Economically Active Population	Total Persons employed	Primary Industry	Secondary Industry	Tertiary Industry	% employed of Active Popn.	% share Primary Industry	% share Secondary Industry	% share Tertiary Industry
1978	40682	40152	28318	6945	4890	98.70	70.53	17.30	12.18
1979	41592	41024	28634	7214	5177	98.63	69.80	17.58	12.62
1980	42903	42361	29122	7707	5532	98.74	68.75	18.19	13.06
1981	44165	43725	29777	8003	5945	99.00	68.10	18.30	13.60
1982	45674	45295	30859	8346	6090	99.17	68.13	18.43	13.45
1983	46707	46436	31151	8679	6606	99.42	67.08	18.69	14.23
1984	48433	48197	30868	9590	7739	99.51	64.05	19.90	16.06
1985	50112	49873	31130	10384	8359	99.52	62.42	20.82	16.76
1986	51546	51282	31254	11216	8811	99.49	60.95	21.87	17.18
1987	53060	52783	31663	11726	9395	99.48	59.99	22.22	17.80
1988	54630	54334	32249	12152	9933	99.46	59.35	22.37	18.28
1989	55707	55329	33225	11976	10129	99.32	60.05	21.65	18.31
1990	65323	64749	38914	13856	11979	99.12	60.10	21.40	18.50
1991	66091	65491	39098	14015	12378	99.09	59.70	21.40	18.90
1992	66782	66152	38699	14355	13098	99.06	58.50	21.70	19.80
1993	67468	66808	37680	14965	14163	99.02	56.40	22.40	21.20
1994	68135	67455	36628	15312	15515	99.00	54.30	22.70	23.00
1995	68855	68065	35530	15655	16880	98.85	52.20	23.00	24.80
1996	69765	68950	34820	16203	17927	98.83	50.50	23.50	26.00
1997	70800	68920	34840	16547	18432	97.34	50.55	24.01	26.74
1998	72087	70637	35177	16600	18860	97.99	49.80	23.50	26.70
1999	72791	71394	35768	16421	19205	98.08	50.10	23.00	26.90
2000	73992	72085	36043	16219	19823	97.42	50.00	22.50	27.50
2001	74432	73025	36513	16284	20228	98.11	50.00	22.30	27.70
2002	75360	73740	36870	15780	21090	97.85	50.00	21.40	28.60
2003	76075	74432	36546	16077	21809	97.84	49.10	21.60	29.30
2004	76823	75200	35269	16920	23011	97.89	46.90	22.50	30.60

Appendix 3: Rural Population and Labour (0000 persons)

Year	Rural		Rural Labour		Share in Labour		% Share of Labour
	Population	Labour	Males	Females	Males	Females	in population
1978	80320.0	30637.8	16548.4	14089.4	54.0	46.0	38.1
1980	81096.0	31835.9	17379.7	14456.2	54.6	45.4	39.3
1985	84419.7	37065.1	20153.2	16911.9	54.4	45.6	43.9
1989	87831.0	40938.8	22218.0	18720.8	54.3	45.7	46.6
1990	89590.3	42009.5	22551.8	19457.7	53.7	46.3	46.9
1991	90525.1	43092.5	23121.9	19970.6	53.7	46.3	47.6
1992	91154.4	43801.6	23449.9	20351.7	53.5	46.5	48.1
1993	91333.5	44255.7	23653.1	20602.6	53.5	46.6	48.5
1994	91526.2	44654.1	23854.1	20800.0	53.4	46.6	48.8
1995	91674.6	45041.8	24037.4	21004.4	53.4	46.6	49.1
1996	91941.0	45288.0	24154.9	21133.1	53.3	46.7	49.3
1997	91524.7	46234.3	24633.4	21600.9	53.3	46.7	50.5
1998	91960.1	46432.3	24733.1	21699.2	53.3	46.7	50.5
1999	92216.3	46896.5	24995.7	21900.8	53.3	46.7	50.9
2000	92819.7	47962.1	25517.8	22444.3	53.2	46.8	51.7
2001	93382.9	48228.9	25685.4	22543.5	53.3	46.7	51.7
2002	93502.5	48526.9	25850.1	22676.8	53.3	46.7	51.9
2003	93750.6	48971.0	26121.0	22850.0	53.3	46.7	52.2
2004	94253.7	49695.3	26525.8	23169.5	53.4	46.6	52.7

Source: China Statistical Yearbook, 2006.

Appendix 4: Rural Population and Labour (0000 persons) by Provinces- 2004

Year	Rural		Rural Labour		Share in Labour		% Share of Labour
	Population	Labour	Males	Females	Males	Females	in population
Beijing	359.9	171.4	89.2	82.2	52.04	47.96	47.62
Tianjin	395.2	175.7	95.9	79.8	54.58	45.42	44.46
Hebei	5389.9	2772.0	1484.1	1287.9	53.54	46.46	51.43
Shanxi	2344.5	1021.5	565.1	456.4	55.32	44.68	43.57
Inner Mangolia	1352.3	675.8	381.6	294.2	56.47	43.53	49.97
Liaoning	2338.9	1083.9	602.9	481.0	55.62	44.38	46.34
Jilin	1440.1	670.9	383.0	287.9	57.09	42.91	46.59
Heilongjiang	1899.3	943.3	540.5	402.8	57.30	42.70	49.67
Shanghai	347.9	248.1	128.4	119.7	51.75	48.25	71.31
Jiangsu	5248.0	2664.8	1380.4	1284.4	51.80	48.20	50.78
Zhejiang	3734.8	2252.3	1203.0	1049.3	53.41	46.59	60.31
Anhui	5198.2	2910.8	1554.7	1356.1	53.41	46.59	56.00
Fujian	2686.3	1311.5	706.5	605.0	53.87	46.13	48.82
Jiangxi	3266.6	1605.4	843.1	762.3	52.52	47.48	49.15
Shandong	7042.5	3754.2	1995.4	1758.8	53.15	46.85	53.31
Henan	7968.8	4718.0	2498.8	2219.2	52.96	47.04	59.21
Hubei	3965.3	1877.0	995.4	881.6	53.03	46.97	47.34
Hunan	5455.8	2951.6	1604.7	1346.9	54.37	45.63	54.10
Guangdong	6254.5	2944.6	1539.9	1404.7	52.30	47.70	47.08
Guangxi	4123.4	2245.4	1187.0	1058.4	52.86	47.14	54.46
Hainan	519.6	250.1	129.0	121.1	51.58	48.42	48.13
Chongqing	2425.3	1361.5	730.5	631.0	53.65	46.35	56.14
Sichuan	6885.7	3774.0	2003.3	1770.7	53.08	46.92	54.81
Guizhou	3253.6	1903.0	1012.4	890.6	53.20	46.80	58.49
Yunnan	3537.9	2030.0	1056.7	973.3	52.05	47.95	57.38
Tibet	223.6	105.7	53.5	52.2	50.61	49.39	47.27
Shaanxi	2790.8	1425.5	778.4	647.1	54.61	45.39	51.08
Gansu	2063.6	1057.9	557.6	500.3	52.71	47.29	51.26
Qinghai	354.1	184.6	97.5	87.1	52.82	47.18	52.13
Ningxia	412.1	209.9	109.9	100.0	52.36	47.64	50.93
Xinjiang	975.5	395.1	217.6	177.5	55.07	44.93	40.50

Appendix 5: Distribution of Rural Labour by Activities

Year	Farming, Forestry, animal Husbandry & Fishery	Industry	Construction	Transport, storage, Post & communication	Wholesale retail trade & catering	Other Non-agricultural trades
1980	97.02	2.98				
1985	81.89	7.40	3.05	1.17	1.25	5.25
1989	79.24	7.95	3.67	1.50	1.59	6.04
1990	79.35	7.69	3.62	1.51	1.65	6.17
1991	79.33	7.58	3.56	1.52	1.68	6.33
1992	77.71	7.92	3.79	1.61	1.86	7.12
1993	75.15	8.27	4.26	1.81	2.14	8.37
1994	73.21	8.62	4.61	2.03	2.43	9.10
1995	71.79	8.82	4.89	2.18	2.60	9.72
1996	71.23	8.87	5.09	2.27	2.79	9.75
1997	70.68	8.72	5.13	2.29	3.00	10.18
1998	70.27	8.46	5.28	2.34	3.15	10.50
1999	70.18	8.43	5.40	2.38	3.38	10.23
2000	68.38	8.57	5.61	2.44	3.65	11.35
2001	67.29	8.91	5.80	2.50	3.87	11.64
2002	65.92	9.28	6.10	2.59	4.11	11.98
2003	63.83	10.08	6.54	2.71	4.20	12.63
2004	61.57	10.94	6.80	2.97	5.44	12.28

Appendix 6: Distribution of Rural Labour by Activities -2004

Year	Farming, Forestry, animal Husbandry & Fishery	Industry	Construction	Transport, storage, Post & communication services	Wholesale retail trade & catering services	Other Non-agricultural & catering
Beijing	33.76	18.78	9.85	10.09	11.25	16.27
Tianjin	45.79	26.62	7.17	6.71	8.13	5.57
Hebei	57.73	17.37	9.36	4.10	6.63	4.81
Shanxi	62.68	13.19	5.83	5.98	5.80	6.52
Inner Mangolia	77.51	3.42	4.14	2.01	3.91	9.01
Liaoning	63.27	8.76	6.57	3.99	6.36	11.06
Jilin	74.03	4.25	5.05	2.82	5.13	8.72
Heilongjiang	74.85	5.08	5.00	2.60	6.01	6.46
Shanghai	26.29	45.89	4.92	3.67	6.33	12.90
Jiangsu	42.59	20.85	11.30	3.76	5.30	16.20
Zhejiang	36.70	31.11	6.14	3.99	9.04	13.02
Anhui	61.65	9.00	8.73	2.89	6.32	11.41
Fujian	55.10	14.70	6.47	3.21	6.20	14.33
Jiangxi	59.86	10.78	5.68	2.17	4.13	17.38
Shandong	58.07	12.67	9.14	4.02	6.67	9.44
Henan	68.57	10.04	7.40	3.08	5.48	5.43
Hubei	58.90	6.14	6.18	2.63	4.78	21.37
Hunan	66.94	8.23	5.29	2.56	5.35	11.63
Guangdong	51.79	18.49	6.84	2.94	7.34	12.61
Guangxi	67.52	3.51	4.24	1.83	3.23	19.67
Hainan	76.29	3.44	3.24	2.72	6.88	7.44
Chongqing	58.82	6.96	8.23	1.73	4.14	20.12
Sichuan	62.72	6.25	7.50	1.92	4.72	16.89
Guizhou	67.71	4.01	2.38	1.35	2.90	21.66
Yunnan	83.44	2.77	2.96	1.94	2.63	6.27
Tibet	80.61	1.89	5.68	2.37	2.46	7.00
Shaanxi	67.14	5.39	6.82	2.90	4.54	13.22
Gansu	72.14	3.34	5.48	2.30	3.37	13.38
Qinghai	71.45	5.25	7.20	3.03	5.15	7.91
Ningxia	68.57	6.71	9.10	4.57	6.00	5.05
Xinjiang	85.92	2.68	1.95	3.01	4.15	2.28

Appendix 7: Number of Self-employed Individuals in 2004 Across Provinces

Provinces	No. of	No. of	Urban	Rural	Share	Share in	Per Unit	Distribution	Distribution	Distribution	Distribution
China	2350.5	4587.1	2521.2	2065.9	54.96	45.04	1.95	100	100	100	100
Beijing	52.7	69.3	45.6	23.7	65.89	34.20	1.31	2.24	1.51	1.81	1.15
Tianjin	17.8	25.2	10.3	14.9	40.87	59.13	1.42	0.76	0.55	0.41	0.72
Hebei	101.9	255.4	87.2	168.2	34.14	65.86	2.51	4.34	5.57	3.46	8.14
Shanxi	43.9	85.4	38.5	47.0	45.08	55.04	1.95	1.87	1.86	1.53	2.28
Inner Mangolia	44.4	78.0	56.1	21.8	71.92	27.95	1.76	1.89	1.70	2.23	1.06
Liaoning	126.4	285.0	188.1	97.0	66.00	34.04	2.25	5.38	6.21	7.46	4.70
Jilin	42.4	80.1	68.8	11.3	85.89	14.11	1.89	1.80	1.75	2.73	0.55
Heilongjiang	69.8	147.7	105.6	42.1	71.50	28.50	2.12	2.97	3.22	4.19	2.04
Shanghai	27.5	33.4	22.0	11.4	65.87	34.13	1.21	1.17	0.73	0.87	0.55
Jiangsu	164.5	249.8	147.1	102.6	58.89	41.07	1.52	7.00	5.45	5.83	4.97
Zhejiang	168.4	312.8	146.7	166.1	46.90	53.10	1.86	7.16	6.82	5.82	8.04
Anhui	106.7	256.2	118.6	137.7	46.29	53.75	2.40	4.54	5.59	4.70	6.67
Fujian	46.8	85.8	52.9	32.9	61.66	38.34	1.83	1.99	1.87	2.10	1.59
Jiangxi	60.9	149.5	87.3	62.3	58.39	41.67	2.45	2.59	3.26	3.46	3.02
Shandong	166.0	344.5	164.5	180.1	47.75	52.28	2.08	7.06	7.51	6.52	8.72
Henan	123.1	258.0	116.7	141.3	45.23	54.77	2.10	5.24	5.62	4.63	6.84
Hubei	99.1	214.4	128.7	85.7	60.03	39.97	2.16	4.22	4.67	5.10	4.15
Hunan	94.5	196.3	121.4	75.0	61.84	38.21	2.08	4.02	4.28	4.82	3.63
Guangdong	196.0	423.7	229.4	194.2	54.14	45.83	2.16	8.34	9.24	9.10	9.40
Guangxi	98.5	152.9	78.2	74.7	51.14	48.86	1.55	4.19	3.33	3.10	3.62
Hainan	12.4	24.8	16.5	8.3	66.53	33.47	2.00	0.53	0.54	0.65	0.40
Chongqing	45.6	91.5	48.1	43.4	52.57	47.43	2.01	1.94	1.99	1.91	2.10
Sichuan	144.7	230.7	121.0	109.7	52.45	47.55	1.59	6.16	5.03	4.80	5.31
Guizhou	43.3	63.1	38.0	25.1	60.22	39.78	1.46	1.84	1.38	1.51	1.21
Yunnan	69.5	125.9	78.1	47.8	62.03	37.97	1.81	2.96	2.74	3.10	2.31
Tibet	5.7	9.8	7.8	2.0	79.59	20.41	1.72	0.24	0.21	0.31	0.10
Shaanxi	74.2	156.3	73.8	82.5	47.22	52.78	2.11	3.16	3.41	2.93	3.99
Gansu	34.2	63.4	38.7	24.7	61.04	38.96	1.85	1.46	1.38	1.53	1.20
Qinghai	13.1	27.1	18.5	8.6	68.27	31.73	2.07	0.56	0.59	0.73	0.42
Ningxia	9.8	16.7	11.9	4.8	71.26	28.74	1.70	0.42	0.36	0.47	0.23
Xinjiang	46.7	74.2	55.2	19.0	74.39	25.61	1.59	1.99	1.62	2.19	0.92

Appendix 8: Employed Persons in Rural Area (10000)

Year	Rural		Rural Labour		Share in Labour		% Share of Labour
	Population	Labour	Males	Females	Males	Females	in population
1978	30638	2827			9.23		
1980	31836	3000			9.42		
1985	37065	6979			18.83		
1989	40939	9367			22.88		
1990	47708	9265	113	1491	19.42	0.24	3.13
1991	48026	9609	116	1616	20.01	0.24	3.36
1992	48291	10625	134	1728	22.00	0.28	3.58
1993	48546	12345	187	2010	25.43	0.39	4.14
1994	48802	12017	316	2551	24.62	0.65	5.23
1995	49025	12862	471	3054	26.24	0.96	6.23
1996	49028	13508	551	3308	27.55	1.12	6.75
1997	49039	13050	600	3522	26.61	1.22	7.18
1998	49021	12537	737	3855	25.57	1.50	7.86
1999	48982	12704	969	3827	25.94	1.98	7.81
2000	48934	12820	1139	2934	26.20	2.33	6.00
2001	49085	13086	1187	2629	26.66	2.42	5.36
2002	48960	13288	1411	2474	27.14	2.88	5.05
2003	48793	13573	1754	2260	27.82	3.59	4.63
2004	48724	13866	2024	2066	28.46	4.15	4.24

Appendix 9: Distribution of Employed Persons in Private Enterprises (2004) (no. in 10000)

Provinces	% share in total employment of		% share of				Percentage Distribution (%) across Provinces						
	Per unit employe-ment	employers	Urban employed	rural employed	urban employers in urban employment	rural employers in rural employment	No. of enterprises	No. of employed persons	Employers	No. of Urban Employed persons	Urban Employers	No. of rural Employed persons	Rural Emplo-yers
China	13.7	18.91	59.67	40.33	20.39	16.71	100	100	100	100	100	100	100
Beijing	12.1	20.93	64.22	35.78	23.40	16.60	6.16	5.44	6.02	5.85	6.72	4.82	4.79
Tianjin	11.0	22.43	54.76	45.24	23.81	21.04	1.92	1.53	1.81	1.40	1.64	1.71	2.16
Hebei	20.7	13.35	28.17	71.83	18.54	11.37	2.96	4.46	3.15	2.11	1.92	7.95	5.41
Shanxi	17.0	14.15	55.24	44.76	16.32	11.48	1.53	1.90	1.42	1.76	1.41	2.11	1.45
Inner Mangolia	14.2	19.44	72.22	27.78	20.81	15.88	1.18	1.22	1.25	1.48	1.51	0.84	0.80
Liaoning	16.5	14.66	78.39	21.57	16.10	9.45	3.75	4.50	3.49	5.91	4.67	2.41	1.36
Jilin	19.4	8.88	91.93	8.07	8.12	17.50	1.40	1.98	0.93	3.04	1.21	0.40	0.41
Heilongjiang	14.5	19.88	81.19	18.81	20.53	17.09	1.59	1.67	1.76	2.28	2.29	0.78	0.80
Shanghai	10.5	20.40	52.14	47.84	21.51	19.20	10.55	8.07	8.71	7.05	7.44	9.57	11.00
Jiangsu	13.4	17.36	53.53	46.47	17.12	17.50	11.45	11.20	10.29	10.05	8.44	12.91	13.51
Zhejiang	15.5	14.73	45.70	54.32	18.32	11.71	9.12	10.31	8.03	7.90	7.09	13.89	9.73
Anhui	15.9	16.21	58.32	41.68	17.60	14.09	2.44	2.82	2.41	2.75	2.38	2.91	2.45
Fujian	10.1	20.84	67.74	32.26	24.27	13.65	3.01	2.22	2.45	2.52	3.00	1.77	1.45
Jiangxi	18.7	13.75	66.37	33.54	14.91	11.49	1.67	2.28	1.66	2.53	1.85	1.89	1.30
Shandong	14.1	20.04	58.66	41.31	23.11	15.69	7.56	7.78	8.24	7.65	8.67	7.97	7.48
Henan	11.1	24.27	47.62	52.38	26.19	22.52	2.96	2.38	3.06	1.90	2.44	3.09	4.17
Hubei	9.7	26.84	66.09	33.91	33.06	14.71	3.12	2.20	3.12	2.44	3.95	1.85	1.63
Hunan	25.2	17.24	76.49	23.51	14.12	27.38	1.89	3.47	3.16	4.45	3.08	2.02	3.31
Guangdong	11.1	22.74	71.62	28.38	25.32	16.22	10.68	8.66	10.42	10.40	12.91	6.09	5.91
Guangxi	15.4	17.92	74.25	25.75	18.66	15.20	1.18	1.32	1.25	1.65	1.51	0.85	0.77
Hainan	11.6	21.03	87.59	12.41	20.87	22.22	0.68	0.58	0.64	0.85	0.87	0.18	0.24
Chongqing	14.6	18.69	66.53	33.37	19.49	17.47	1.86	1.98	1.96	2.21	2.11	1.64	1.71
Sichuan	13.9	19.43	57.48	42.52	21.05	17.23	3.73	3.76	3.86	3.62	3.74	3.96	4.08
Guizhou	10.2	25.00	68.75	31.25	26.09	22.61	0.99	0.73	0.97	0.85	1.08	0.57	0.77
Yunnan	14.8	18.75	61.72	38.28	24.05	10.20	1.42	1.53	1.52	1.58	1.87	1.45	0.89
Tibet	21.5	11.63	88.37	11.63	13.16	0.00	0.05	0.09	0.05	0.13	0.08	0.02	0.00
Shaanxi	17.5	33.31	35.35	64.59	23.05	38.96	2.38	3.03	5.34	1.80	2.03	4.86	11.32
Gansu	12.8	20.05	74.29	25.71	21.90	13.76	0.90	0.85	0.90	1.05	1.13	0.54	0.44
Qinghai	24.5	11.02	71.43	28.57	12.57	5.71	0.27	0.49	0.28	0.58	0.36	0.35	0.12
Ningxia	12.5	22.54	74.18	25.82	24.68	14.55	0.47	0.42	0.51	0.53	0.64	0.27	0.24
Xinjiang	13.3	22.69	88.66	11.34	23.82	13.85	1.18	1.14	1.37	1.70	1.98	0.32	0.27

Appendix 10: Per Capita Income of Rural Households by Region (yuan)

Provinces	1990	2004	% change	Times Change
Beijing	1297.05	6170.33	375.7	4.76
Tianjin	1069.04	5019.53	369.5	4.70
Hebei	621.67	3171.06	410.1	5.10
Shanxi	603.51	2589.6	329.1	4.29
Inner Mangolia	607.15	2606.37	329.3	4.29
Liaoning	836.17	3307.14	295.5	3.96
Jilin	803.52	2999.62	273.3	3.73
Heilongjiang	759.86	3005.18	295.5	3.95
Shanghai	1907.32	7066.33	270.5	3.70
Jiangsu	959.06	4753.85	395.7	4.96
Zhejiang	1099.04	5944.06	440.8	5.41
Anhui	539.16	2499.33	363.6	4.64
Fujian	764.41	4089.38	435.0	5.35
Jiangxi	669.9	2786.78	316.0	4.16
Shandong	680.18	3507.43	415.7	5.16
Henan	526.95	2553.15	384.5	4.85
Hubei	670.8	2890.01	330.8	4.31
Hunan	664.24	2837.76	327.2	4.27
Guangdong	1043.03	4365.87	318.6	4.19
Guangxi	639.45	2305.22	260.5	3.61
Hainan	696.22	2817.62	304.7	4.05
Chongqing	1892.44	2510.41	32.7	1.33
Sichuan	557.76	2518.93	351.6	4.52
Guizhou	435.14	1721.55	295.6	3.96
Yunnan	540.86	1864.19	244.7	3.45
Tibet	649.71	1861.31	186.5	2.86
Shaanxi	530.8	1866.52	251.6	3.52
Gansu	430.98	1852.22	329.8	4.30
Qinghai	559.78	1957.65	249.7	3.50
Ningxia	578.13	2320.05	301.3	4.01
Xinjiang	683.47	2244.93	228.5	3.28